Department of Finance

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Release of *The Fiscal Monitor*

The Honourable Jim Flaherty, Minister of Finance, today released *The Fiscal Monitor* for June 2007.

Highlights

June 2007: budgetary surplus of $2.8 billion

There was a budgetary surplus of $2.8 billion in June 2007, up $0.6 billion from the $2.3-billion surplus recorded in June 2006. Budgetary revenues were up $1.5 billion, or 7.6 per cent. All revenue streams, with the exception of customs import duties and sales and excise taxes, were higher. Program expenses increased by $0.9 billion, or 6.4 per cent, largely due to growth in transfers to other levels of government and an increase in departmental operating expenses. Public debt charges were down $47 million.

April to June 2007: budgetary surplus of $6.4 billion

For the first three months of the 2007–08 fiscal year, the budgetary surplus is estimated at $6.4 billion, up $0.5 billion from the $5.9-billion surplus reported in the same period of 2006–07. Budgetary revenues increased $3.9 billion, or 6.9 per cent, driven by gains in income tax revenues and non-tax revenues. Program expenses rose by $3.2 billion, or 7.6 per cent, reflecting an increase in transfer payments and operating expenses of departments and agencies, including National Defence. Public debt charges increased by $0.2 billion, or 2.5 per cent, reflecting an increase in the average effective interest rate on the stock of interest-bearing debt.

Quarterly update of 2007–08 surplus projection: surplus expected to come in higher than Budget 2007 projection of $3 billion

The outlook for 2007–08 has been influenced by a number of developments since the Budget 2007 projection in March.

- Economic performance has been stronger than expected. Private sector forecasters have revised up their outlook for nominal gross domestic product (GDP) growth in 2007 to 5.2 per cent from 3.9 per cent at the time of Budget 2007. This would leave

the level of nominal GDP, the broadest measure of the tax base, approximately $20 billion higher in both 2007 and 2008 than projected in the budget.

- The year-to-date financial results also suggest that revenues will be higher than had been anticipated in March.

Taken together, these developments indicate that the budgetary surplus for 2007–08 will exceed the Budget 2007 projection of $3 billion. A comprehensive update of the economic and fiscal outlook for this year and beyond will be provided in the fall Economic and Fiscal Update.

The Fiscal Monitor is a monthly document that provides highlights of the federal government's fiscal performance, including monthly revenues, expenses, the budgetary balance and the financial source/requirement.

For further information, media may contact:

Chisholm Pothier
Press Secretary
Office of the Minister of Finance
613-996-7861

David Gamble
Media Relations
Department of Finance
613-996-8080

www.fin.gc.ca

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